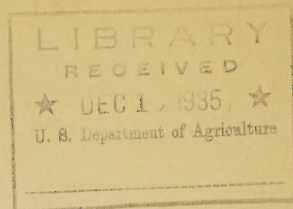


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AUDITING AND ACCOUNTING

FOR THE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

by

John B. Payne, C. P. A.

COMPTROLLER, AGRICULTURAL ADJUSTMENT ADMINISTRATION

October, 1935

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Mr. Chairman, Members of the American Society of Certified Public Accountants, and friends:

My good friend, Mr. Springer, has requested me to describe briefly some of the accounting features of the Agricultural Adjustment Administration which might be of interest to the independent accounting practitioners, and possibly be of some help to them on assignments where the clients are affected in some degree by the administration of the Agricultural Adjustment Act.

As you know, this Act, which was approved May 12, 1933, was intended to serve as an instrumentality to help bridge the gap between what the farmer paid for goods consumed by him and the prices he received for the product of his labor. Specifically, this legislation had for its fundamental purpose the restoration of farm prices to pre-war parity, that is to say, to restore to the farmers the purchasing power which would be on a par with that which they enjoyed during the five-year period (1909-1914) immediately before the World War. This period was selected as the base period because it is generally recognized that during that time farmers received a reasonable share of manufactured products in exchange for the commodities they had to sell.

Before I discuss the accounting features of the Agricultural Adjustment Administration, I think you would be interested in knowing something of the background of the circumstances which brought the Agricultural Adjustment Act into existence.

The World War, you know, climaxed the period of agricultural expansion in the United States. The War increased European demand for wheat, cotton, beef, and pork. Prices of these commodities skyrocketed and the farmers of this country increased their planting. They plowed up some 40 to 50 million acres of grass and pasture land which had never before been in crop production, and turned it into the production of those agricultural products demanded by European countries. At about the same time the gasoline engine, the truck, the tractor, and the automobile developed, and soon these became standard farm equipment. These new farm production aids displaced horses and mules. With the displacement of these horses and mules went the need of the products from about 35 million acres of land.

Europe's increased buying of our agricultural products placed the United States in a creditor position. Billions of dollars were loaned abroad, with which agricultural exports from this country could be paid for by European nations.

Then came the end of the war. With the thunder of cannons still in their ears, European nations frantically started a drive for self-sufficiency. They subsidized their own farmers, and shut out foreign competition through establishment of high tariff walls and quota barriers. At the same time, farmers of newer countries had

increased their production. Fertile lands in Argentina, Australia, and Canada were opened up and the products from these lands entered the world market to compete with the products of this country. With the ending of the war, farmers of the United States began to find that the world markets no longer would take unlimited amounts of their products. In spite of this discovery, the extra acres brought into cultivation to meet the war-time demand, and the acres kept in production in spite of the lost uses for horses and mules, continued to be farmed. Our country's agricultural plant was kept in production at peak load. The creation of over-supply was inevitable. Soon depression engulfed farmers of the nation. By March, 1933, in spite of previous attempts to assist farmers through the Federal Farm Board and other efforts, surpluses of cotton, wheat, corn, pork, and other farm products had piled up in unprecedented volume, and could not be marketed at prices that enabled farmers to stay in business. Prices for farm products went to the lowest levels within the memory of farm operators.

The Agricultural Adjustment Act has been in operation for less than two and a half years. During this period, partly as a result of the programs inaugurated under this Act, and partly through the aid of other recovery measures, American agriculture has been climbing out of one of the severest depressions in the history of the country.

The gains that farmers have made since the spring of 1933 have been realized largely through the participation of more than three million of them in one of the most far-reaching cooperative efforts the world has ever known.

Under the Agricultural Adjustment Act, crop-adjustment programs, designed to bring production more in line with effective domestic and export requirements, have been put into operation for cotton, wheat, tobacco, corn and hogs, peanuts, rice, and sugar. The Act provides for voluntary participation by farmers. To take part in a crop adjustment program, farmers enter into voluntary agreements with their Government.

Cooperation in adjusting the production of basic agricultural commodities is made possible through the medium of the processing tax which is used to provide funds for financing the commodity programs. Money collected through processing taxes is paid out in rental or benefit payments to producers of these products who sign production adjustment contracts. These payments are designed to compensate farmers for the sacrifices they make in adjusting production, and the processing-tax, benefit-payment program constitutes a device for attaining for the farmer the most equitable return possible for his product.

The processing taxes, in financing the rental and benefit payments to cooperating producers, provide the Government with the means to associate the interests of the individual with the interest of the whole group of producers of a basic commodity. Before the Agricultural Adjustment Act came into existence, no individual could be sure that, no matter how great the surpluses might become or how low prices might fall, other producers would join with him in any voluntary program of production adjustment.

By confining rental or benefit payments to farmers who cooperate to adjust production, those producers who cooperate know they will receive more per unit than those who do not, and therefore the processing taxes and benefit payments provide a means of uniting farmers in a general movement to accomplish the objective.

They are fundamental to the machinery by which farmers control their production and increasing their income by encouraging adjustments that raise farm purchasing power. Processing taxes promote the general welfare.

Looking over the record of the last two and a half years under the Agricultural Adjustment Act and other recovery measures, we find these significant facts:

1. Cash farm income of farmers in this country has increased by more than 40 percent from the 1932 level.
2. The available purchasing power of farmers has more than doubled
3. The value of farm property, which struck a new low during 1933, has been showing a definite upward trend.

All of these improvements have contributed to restoration of confidence in agriculture and business as well.

You will recall that the Agricultural Adjustment Act came into existence after a period when cotton was selling for around 6 cents a pound, hogs for \$3.36 per hundredweight, corn for 32 cents a bushel, and wheat for 38 cents a bushel. The income of the Nation's farmers had reached a dangerously low level. Cash farm income for 1932 was \$4,328,000,000. From 1929 to 1932, farm income had dropped over 50 percent.

The American farmer was impoverished. His condition was reflected in every village and every city. Industrial areas which depended upon agricultural regions for outlets for their goods were among the hardest hit. They had lost their farm markets. Farm income had to be increased if agriculture's purchasing power was to be restored. This meant higher prices for products sold by farmers.

The first programs put into operation by the Agricultural Adjustment Administration in 1933 were those for cotton, wheat, and tobacco. The first year of the operation of the recovery program saw cash farm income of farmers climb to \$5,117,000,000. In 1934, corn and hogs, peanuts, and sugar were added to the list of adjustment programs. In addition, an emergency program to meet the worst drought this country has known in years was put into effect to conserve the Nation's meat supply and to stimulate the production of food and livestock feed crops seriously damaged or threatened by the drought. In spite of that devastating drought, 1934 cash farm income for the Nation was \$6,387,000,000, an increase of more than 40 percent from the low level of 1932. I believe it is quite significant to point out that rental and benefit payments made to farmers cooperating in adjustment programs totaled less than 10 percent of the 1934 cash farm income.

That farm income for 1935 will exceed last year's level is indicated by a recent estimate by the Bureau of Agricultural Economics. This estimate places 1935 cash farm income at \$6,700,000,000. As a result of higher incomes, farmers now have more money to spend for living expenses and luxuries. The cash available to farmers for living expenses, from the 1934 cash income, after deducting wages, operating expenses, taxes, and insurance, is estimated at \$3,260,000,000. This compares with \$2,627,000,000 in 1933, and is more than double the total of \$1,463,000,000 available for the living of farmers in 1932.

Industries and business once more are finding the farm market a fertile field. Farmers have become better customers for the goods produced by industry. This is indicated by increased sales in rural areas, of automobiles, household goods, farm equipment, and other industrial commodities. The Automobile Manufacturers Association reports that in 1934 retail sales of automobiles made their greatest gains in small towns and on farms. New passenger car registrations in towns under 10,000 population showed an increase of 38 percent over 1933 figures, while registrations in cities over 10,000 increased only 18 percent. This is only one indicator of how increased dollars in the hands of farmers are finding their way back to the industrial cities.

During the last year, the Agricultural Adjustment Administration has been conducting studies on shipments of industrial and manufactured goods from industrial states to agricultural states. One such study has been completed. It shows that from the year ending June 30, 1933, before the actual launching of the recovery program, to the year ending June 30, 1934, when the results of the program had begun to be felt, shipments of manufactured goods from 16 northeastern industrial states to 10 states of the agricultural southeast increased 38.8 percent. During the same period covered by this study, farm income in the 10 southeastern agricultural states had increased 59.9 percent. In these states tobacco and cotton production adjustment programs were of major importance.

The agricultural adjustment program is the farmers' own program. Policies of the Agricultural Adjustment Administration have developed from the grass roots. The program itself represents a cooperative effort between Government and agriculture, and places a serious responsibility where it belongs -- in the hands of farmers themselves. When an adjustment program for a particular commodity is inaugurated, it is backed by the best consensus of farm opinion obtainable. The farmers themselves provide the machinery for the administration of adjustment programs in their own counties. They have organized over 4,000 production control associations to carry out the adjustment programs in which over three million farmers are participating.

Our experience has been that when a farmer signs a contract to make adjustments in his production, he intends to fulfill his obligation. I think you will be interested to know that of all the contracts in effect, violations amounted to not more than 5/100 of one percent. This certainly speaks well for the integrity of the American farmer.

ACCOUNTING SYSTEM

With that presentation of the purpose of the Agricultural Adjustment Act and the methods followed to bring about an improvement in the farmers' purchasing power, I believe we are ready to enter into a discussion of the General Governmental accounting features to which the accounting system of the Agricultural Adjustment Administration must conform, and the description of some of the accounting and auditing features characteristic of this Agency.

Budgeting and accounting in the Federal Government has undergone a marked development since 1921 when the Budget and Accounting Act was passed. As a result of the provisions of that Act, the preparation of the budget has been systematized, and a uniform system of Accounting prescribed for Government Bureaus.

You may be interested in an enumeration of the General Ledger Accounts carried on our records. These are substantially as follows:

DEBIT BALANCE ACCOUNTS

AVAILABLE CASH (by appropriation symbols and titles)

These are debit balance accounts and show the amounts under the appropriations and funds available on the books of the General Accounting Office and the Treasury and in the hands of disbursing officers. A separate account is maintained for each appropriation and fund available.

DISBURSING OFFICER'S CASH - SPECIAL DEPOSITS

This is a debit balance account and shows the amount of special deposit collections with the Disbursing Officer.

GENERAL FUND REVENUES DEPOSITED (by symbols and titles)

These are debit balance accounts and show the amount of general fund revenues (including miscellaneous receipts) deposited into the Treasury of the United States. A separate account is maintained for each receipt symbol and title for which deposits have been made.

SPECIAL FUND RECEIPTS DEPOSITED (by symbols and titles)

These are debit balance accounts in which are temporarily accumulated special fund collections which are to be made available for expenditure upon issuance of appropriation warrants.

TAXES APPROPRIATED TO REPAY TREASURY ADVANCES

This is a debit balance account and shows the amount of tax collections appropriated. This fund is available only for payment to United States possessions of amounts of compensating taxes collected on imports from said possessions, and to reimburse the General Fund of the United States Treasury for amounts advanced in anticipation of tax collections.

TAX COLLECTIONS (by commodities)

These ^{are} debit balance accounts and show the amount of taxes collected and deposited by Collectors of Internal Revenue, as reported by the Bureau of Internal Revenue, Treasury Department. Subsidiary records showing the nature of the taxes collected under each commodity are maintained by collection districts.

TAX COLLECTIONS APPLIED (by commodities)

These are credit balance accounts and are used as offsets to the "Tax Collections" accounts. By posting to these accounts the amounts of tax collections appropriated, the "Tax Collections" accounts will at all times show the total taxes collected.

ESTIMATED RECEIPTS (by commodities)

These are debit balance accounts and show the amounts which it is estimated will be realized from processing and other taxes. Through the use of these accounts it is possible to make allotments and incur obligations prior to the actual collection of the taxes.

COMMODITIES (by commodities)

These are debit balance accounts and are maintained without reference to appropriations. They are intended to show the value of commodities purchased by the Administration under programs involving the removal of surplus agricultural products.

EQUIPMENT

This is a debit balance account and is maintained without reference to appropriations or funds, and shows the value of furniture, equipment, and other non-expendable and accountable property acquired by purchase or donation. Property card records are provided to show the details of property owned with a description of cost (or value) and location.

UNDISTRIBUTED EXPENDITURES (clearing account)

This account is maintained for convenience in distributing expenditures to equipment and expense accounts, and should normally show no balance at the end of the month. A debit balance would indicate that the charges had not been completely distributed and a credit balance would indicate that an over-distribution had been made.

CURRENT COSTS (by account classification)

These are debit balance accounts and show the amount of expenditures made during the fiscal year in payment of rental and benefit payments, salaries, and expenses, and for expendable property and supplies purchased and consumed.

CURRENT COSTS - COMMODITIES DONATED (by commodities)

These are debit balance accounts and show the value of commodities, purchased in programs involving the removal of surplus agricultural products, which are donated for relief purposes.

CREDIT BALANCE ACCOUNTS

ADVANCES BY U. S. Treasury (by commodities)

These are credit balance accounts and show the amounts advanced by the United States Treasury in anticipation of processing and other taxes levied under the terms of the Agricultural Adjustment Act.

SPECIAL DEPOSIT OBLIGATIONS (by class)

This is a credit balance account in which is recorded (a) collections which at the time received cannot be properly allocated as to the proper appropriation or general fund revenue symbol and title, and (b) special deposits received from individuals-- (1) to guarantee reimbursement to the United States for purchases made or services rendered, (2) to guarantee performance under contracts and agreements entered into, and (3) to provide funds for authorized activities and purposes.

TAX COLLECTIONS DUE U.S. POSSESSIONS (by commodities)

These are credit balance accounts and show the amounts of compensating taxes collected on imports from United States possessions and which, under the terms of the Agricultural Adjustment Act, are to be paid into the treasuries of said possessions.

GENERAL FUND REVENUES (symbols and titles)

These are credit balance accounts and are maintained for the purpose of showing statistical information as to the amount of General Fund Revenues (miscellaneous receipts) collected. A separate account is maintained for each receipt symbol and title for which General Fund Revenues (miscellaneous receipts) have been collected. Miscellaneous receipts from the sale of Government property are ultimately covered into the Treasury.

CAPITAL SURPLUS

This is a credit balance account and is maintained without reference to appropriations, funds, etc., and is intended to show the value of equipment, etc. in use at the beginning of the fiscal year, the cost of which has been defrayed out of prior years' appropriations, plus the value of equipment donated.

UNALLOTTED APPROPRIATIONS (by symbols and titles)

These are credit balance accounts and show the amounts under each appropriation available for allotment. A separate account is maintained for each appropriation so available.

UNENCUMBERED ALLOTMENTS (by symbols and titles)

These are credit balance accounts and show the total unencumbered balances of allotments. At the time the amounts allotted are credited to this account the amount of each allotment is also entered on allotment ledger sheets, to which encumbrances, liquidations, and payments of vouchers are subsequently entered in detail.

UNLIQUIDATED ENCUMBRANCES (by symbols and titles)

These are credit balance accounts and show the total unliquidated encumbrances.

EXPENDED APPROPRIATIONS (by symbols and titles)

These are credit balance accounts and show the total accumulated expenditures.

ALLOTMENT LEDGER TRANSACTIONS

ALLOTMENTS

When funds are appropriated by Congress the amount of the appropria-

tion is set up on the books of the Treasury Department by means of an appropriation warrant. Upon receipt of advice of the appropriation warrant the amount is also set up on the books of the Agricultural Adjustment Administration under the account "Unallotted Appropriations". From time to time, allotments are approved for specific projects, and such allotments are entered to the account "Unencumbered Allotments".

Allotment accounts are set up on standard forms, and all entries to these accounts are made over a "Register of Allotment Ledger Transactions" for the appropriation to which the items are to be charged, separate registers being maintained where necessary for posting purposes.

The amounts allotted are entered in the "Allotments" column from the approved advices of allotments. The entries in this column have the effect of establishing the "Unencumbered Balance of Allotment" or in cases of additional allotments, of increasing the balance. Withdrawals of allotments are entered in reverse (red) which decreases the unencumbered balance.

ENCUMBRANCE OF ALLOTMENTS

As the amounts allotted prescribe limitations of expenditures which are not to be exceeded, the several allotment accounts should be charged with all known obligations as they are incurred. Such obligations are described as "Encumbrances Authorized" and cover such items as:

Personal services, based on period of employment.

Travel authorizations.

Purchase orders covering purchase of materials, supplies, equipment, etc.

Contracts for rent, heat, light, telephone, stenographic service, rent of equipment, etc.

The amounts of encumbrances in many instances are estimates, based however, on the best information available at the time. The amounts thus determined are entered in detail in the column headed "Encumbrances Authorized" on the allotment account to be charged, and reduce the amount of "Unencumbered Balance of Allotment". The entries in the general ledger accounts are made monthly from the "Register of Allotment Ledger Transactions".

A proper administrative control of allotments requires that they be encumbered in so far as possible to the end of the fiscal year. By this practice only may the balances in the accounts reflect possible savings or availability for additional expenditures.

AUDITED VOUCHERS

Approved vouchers are entered currently as passed to the Disbursing Officer for payment in the allotment ledger accounts, the entries in the general ledger accounts being made monthly from the "Register of Allotment Ledger Transactions". Adjustments on account of vouchers paid for a less amount than that previously recorded and vouchers which are subsequently cancelled are entered in reverse (red) in the "Audited Vouchers" column of the allotment ledger account previously charged, such entries increasing the unencumbered balance of the allotment and reducing the total of the "Audited Vouchers" column.

ENCUMBRANCES LIQUIDATED

Amounts of obligations previously recorded in "Encumbrances Authorized" are entered in the "Encumbrances Liquidated" column of the same allotment ledger account, at the time and on the same line the disbursement voucher in payment thereof is entered in the "Audited Vouchers" column of the said allotment ledger account. Cancellations of previously recorded encumbrances may be entered as a reverse entry in red in the "Encumbrances Authorized" column or as a positive entry in the "Encumbrances Liquidated" column, either of which entries has the effect of increasing the unencumbered balance of the allotment. Entries in the general ledger accounts are made monthly from the "Register of Allotment Ledger Transactions".

REIMBURSABLE COLLECTIONS

Collections reimbursable to appropriations are entered currently as received, in reverse, in the column headed "Audited Vouchers" of the allotment ledger account previously charged with the disbursement (audited voucher) for which reimbursement is made and no adjusting entry of previous encumbrances is required. The effect of such entry is to increase the unencumbered balance of the allotment.

DIVISION OF DISBURSEMENT

Funds available under appropriations made to carry on the activities of the Agricultural Adjustment Administration, are advanced to the Disbursing Officer by the Treasury through the medium of an accountable warrant.

The Executive Order of the President, pursuant to the Act of March 3, 1933, which authorized the President to effect reorganization within the Executive Branch of the Government, transferred to the Treasury Department the function of disbursement of moneys of the United States previously exercised by the various agencies. The consolidated central disbursing office is called the "Division of Disbursement", at the head of which is a Chief Disbursing Officer. The "Division of Disbursement" is empowered to disburse moneys only upon the certification of persons by law duly authorized to incur obligations upon behalf of the United States,

and the function of accountability for improper certification is placed squarely upon such persons, and the disbursing officers are no longer held accountable therefor.

ACCOUNTING AND REPORTING SECTION.

In this Section of the Comptroller's Office are maintained the records pertaining to the appropriations and funds made available under various Acts of Congress to the Agricultural Adjustment Administration.

1. Rental and Benefit Payments.

Disbursements to the producers under their commodity contracts are recorded by commodity, year's program, payment, state and county.

After summaries are prepared for posting these rental and benefit payments, the posting is done on bookkeeping machines.

The summaries are prepared by state and county from the schedules of payments, copies of which are forwarded to the Accounting Section by the Agricultural Adjustment Administration Section of the Division of Disbursement after payment has been made.

After all the summaries covering counties in a particular state are posted to the respective county sheets for each division of the accounts, the state sheet is then inserted and the state total is posted. These postings are made over a proof or register sheet, county postings in one column and state postings in another. These columns should carry the same totals at all times when all the county postings in a state and the state total has been posted. This method enables the bookkeeping machine operator to detect errors in posting immediately by comparing machine registers. The total as shown by the register sheet for each day's business should be in agreement with the total of the vouchers involved, which has been posted against the appropriation account. These registers carry the cumulative payments for an entire month. The total is then posted to the proper general ledger accounts.

2. Field Disbursing Offices.

In the case of the programs for removal and conservation of surplus agricultural commodities, and the programs for drought relief, food conservation, and eradication of diseased cattle, the disbursements to the producers and others have been made from field disbursing offices.

The accounts current together with schedules of disbursements are submitted by the field disbursing officers to Washington each month; and after they are checked and reconciled the payments are recorded by commodity and location of disbursing office.

3. Administrative Expenses

Budgets covering estimated expenses for the fiscal year are submitted for the approval of the Administrator by each office, division and section of the Agricultural Adjustment Administration; and when approved for each fiscal year they are set up on the records as allotments against which the administrative expenses are charged as the vouchers are passed for payment.

In addition to charging each administrative expense voucher against the respective allotment accounts, costs are kept by objective classification, such as salaries, supplies, communications, travel expense, transportation of things, printing and binding, purchase of equipment, and miscellaneous, for each allotment under the appropriations involved.

Since the basic setup is by commodities, it will be appreciated that the distribution of the administrative costs of the various organization units needs close watching, particularly when a number of appropriations are involved. The appropriations may only be used, of course, for the purpose for which authorized by Congress.

TOTAL DISBURSEMENTS

Disbursements by the Agricultural Adjustment Administration under all types of programs to the close of September 26, 1935, were as follows:

DISBURSEMENTS UNDER COMMODITY PROGRAMS THROUGH SEPTEMBER 26, 1935

Production Adjustment Programs

Cotton	\$ 266,477,493.60
Cotton Options - Sale	12,575,161.22
Cotton Options - Pool	53,355,063.99
Bankhead Pool	15,833,421.08
Tobacco	45,260,464.92
Corn-Hogs	361,829,663.76
Wheat	199,541,152.42
Sugar	28,316,945.95
Rice	<u>3,325,278.39</u>

Total Production Adjustment \$ 986,514,645.33

Removal and Conservation of Surplus
Agricultural Products

Wheat -- Export	\$	6,097,239.21
Hogs		45,622,025.04
Dairy Products		21,518,151.05
Sugar		365,536.44
Peanuts -- Millers		750,583.15
Rice -- Agreement		<u>51,830.22</u>
 Total Removal and Conservation	 \$	 74,405,365.11

Drought Relief, Food Conservation
and Disease Eradication

Cattle	\$	126,208,087.48
Sheep and Goats		7,710,069.00
Seeds		18,717,210.72
Feed and Forage		<u>55,200.11</u>
 Total Drought Relief, etc.	 \$	 152,690,567.31

Grand Total Disbursements	\$	1,213,610,577.75
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OUTLINE OF PROCEDURE FROM SIGNING OF
CONTRACTS TO DELIVERY OF CHECKS

The contract form, and all related documents, are prepared in the respective Commodity Divisions in Washington. All such forms must be approved, in writing, by the Secretary of Agriculture before they are printed. Forms which are used as the basis for payment must be approved by the Comptroller General of the United States.

An adequate supply of each printed form is shipped to each State concerned and distributed to the various Counties.

The usual practice in the field is to have a Community Committeemen visit the producers and assist them in filling in the basic data on the contract form.

The contracts are submitted by the Community Committeemen to the County Committee where the basic data is reviewed and any necessary adjustments made.

All parties to the contracts are notified to present themselves to the County Office for the purpose of signing the contract form.

The contracts and all related documents in most States are forwarded to the State Office for examination by the State Board of Review. Defective contracts are returned to the County Committee for correction.

All contracts approved by the State Board of Review are forwarded to the Agricultural Adjustment Administration in Washington.

The contracts are submitted to the Comptroller of the Agricultural Adjustment Administration, and are audited in the Rental and Benefit Audit Section.

The contracts which are not acceptable in audit are returned to the respective Commodity Divisions for correction.

A contract card, upon which is punched identifying information and basic data, is prepared for each contract which has been approved for payment. From this card, a Notice of Acceptance is prepared and mailed to the producer.

The contract and all related papers are filed in the Office of the Comptroller for future reference.

Accounting cards are reproduced by machine from the contract cards. The accounting cards are then listed on payment schedules, which schedules are certified by the Comptroller to the Treasury Department and form the basis of authority for the issuance of checks. Supporting vouchers are approved for the total amount represented by the checks issued.

The payment schedules and the corresponding accounting cards are forwarded to the Agricultural Adjustment Administration Section, Division of Disbursements, Treasury Department, for preparation of checks, receipts for checks and register of checks.

The checks and receipt forms are sent by registered mail to the authorized officer of the County Production Control Association, who is responsible for the delivery of the checks to the persons in whose favor they have been drawn.

GENERAL PROCEDURE IN CONNECTION WITH COMMODITY CONTRACTS, COMPLIANCES, ETC.

This General Procedure may be divided into four major parts as follows:

- Part I - General Administrative Instructions - outlining instructions applicable to all personnel;
- Part II - Signatures, Authorizations, Payees - outlining procedure to be followed in the audit of signatures, authorizations, and payees;
- Part III - Central Production Control - outlining a plan for recording and controlling the flow of work by means of Punch Cards and Visible Production Control Racks; and
- Part IV - General Flow and Audit Procedure - outlining the steps which are more or less uniform in the handling of contracts for all commodities.

COMPTROLLER'S OFFICE PROCEDURE

With the enactment of the Agricultural Adjustment Act, the Administration was, of course, desirous of placing their machinery in motion as quickly as possible to meet the great emergency that existed in the farming areas at that time and every effort was made to prepare checks in accordance with the terms of the adjustment contracts as rapidly as possible. In setting up the Comptroller's office, we immediately decided upon the necessity for two shifts in the units involved in the actual handling of the contracts, and in some units, where the official notices of acceptances, payment schedules and checks were prepared, they were set up on a three-shift basis. With the tremendous volume of contracts and compliances anticipated our plans had to be laid very carefully in order that this work could be handled in the most efficient manner and that adequate and proper records could be maintained at all times. If all of the contracts or compliances were forwarded to Washington, properly executed, almost any practical method of handling them could have been adopted, but since so many were improperly prepared, it made the problem more difficult and elaborate procedure had to be worked out to handle these irregular cases so that they would not unduly delay the settlement of the regular cases. A Correspondence Section, a Claims Section, a Violation Section, a Termination Section, a Legal Advisory Committee, all had to be organized, and speed in handling these irregular cases in these sections was also insisted upon. From our experiences with the earlier programs in the latter part of 1933, our knowledge of the problems increased and with refinements from time to time we gradually smoothed off the rough edges until today we have an organization in the Comptroller's Office of approximately 2800 persons, set up to audit and make settlement on 50,000 contracts a day and from 50,000 contracts, approximately 65,000 checks will develop.

We have fashioned our plan along the lines of the large factory with its straight-line flow and organization geared for mass production. The problem of irregular cases is still with us, but through some extensive missionary work in the field the situation is greatly improving.

It is believed that well organized field offices can be set up to cooperate in improving the procedure for performing the preliminary audit work for all programs in each state, without materially increasing the cost of handling contracts in the field.

By this plan we hope to remove one of the principal causes of dissatisfaction among the contract signers, namely, delay in receiving payment because their contracts have been suspended in Washington. These suspensions result, ordinarily, from errors made in the proper execution of documents in the field, or failure to understand instructions; and by having the contracts and other forms carefully checked in the field, the payments to the producers in many cases will be greatly expedited.

Program Estimates and Production Scheduling

Estimates are secured from the Commodity Sections as to their programs and when and over what period it is desired to make payments. Where possible, these estimates are coordinated into a well-balanced Production Schedule to avoid peaks and valleys in the production of checks. Approvals

of such production schedules are procured from the Commodity Sections. The Operating Units of the Comptroller's Office are kept fully advised regarding approved production schedules, so they will have advance information as to the volume of work anticipated for future months and make preparations accordingly. Any matter causing delay in production is reported immediately to the Procedure and Methods Section of the Comptroller's Office, who contact the Commodity or other Sections to provide ways and means for overcoming such delay.

Operation, Description and Sequence

A Punch Card and Tabulating Machine System is utilized in handling the millions of contracts received, and in connection with the payments under the terms of the contracts.

The flow of contracts and compliances from the point of receipt to the mailing of the checks was broken down into nine major operations.

OPERATION 1 is known as the Central Production Control Unit.

With the thousands of contracts received daily in Washington from States all over the Union, it became necessary to establish some adequate and practical method for recording receipt of these documents and of controlling the production through all nine operations or units.

Immediately upon receipt, the date received is stamped on the contracts and compliances which are checked to the accompanying transmittal, which lists all documents submitted. Each county or block is worked as a unit, and to facilitate its handling is broken down into lots of approximately 100 contracts each. State and County Code numbers identify the block and lots, and in addition, the lots are numbered consecutively commencing with one. As stated before, each county or block moves through all operations as a unit so that checks for the entire county may be mailed out together.

For each lot of contracts or compliances, a tabulating card that we refer to as a Master Card is prepared on a Key Punch Machine. This card shows the block and lot numbers, the Commodity Code and the Number of Contracts in each lot, and the total number of contracts in the block. Each commodity is assigned its own colored card for the purpose of easily identifying the commodity in process. The Master Cards are kept in what is known as a Visible Control Rack, which is partitioned off into nine sections, one for each operation in the flow. The nine operation cards are inserted in a near leather jacket and move along with their respective lot of contracts. As the contracts pass through each of the nine operations, the operation cards are returned to the Central Production Control Unit, indicating that that block of work has been passed on to the next operation. At the end of each day these operation cards, returned to the Central Production Control Unit, are tabulated on an electric accounting machine for our daily production reports. These operation cards are then matched with their respective master cards through means of a matching sorter, all those matching falling together in one pocket, and those not matching, rejecting in a second pocket. All the master cards that have been matched are then moved into the next section in the Visible Control Rack, which of course indicates that the lots which these cards represent have moved in to that particular unit. From this rack we are able to visibly check the

work and note the failure of any unit to live up to their scheduled production. With each commodity having its own color, the rack presents a rather complete picture of work in progress. From this method, we are also able to locate with little delay the thousands of contracts for which letters of inquiry are received daily. In this unit we also maintain a group of scouts who are constantly furnishing the necessary information to Correspondents for answering these letters.

OPERATION 2

Each of the Commodity sections are represented in Operation 2 by groups handling their respective contracts and compliances and have this opportunity of examining their documents for the purpose of determining whether or not they have been prepared in accordance with the field instructions. This step is rather an important one because of the delay cases in bad order might cause in the settlement of regular cases.

OPERATION 3

This unit is responsible for the proper scheduling of the work according to the preplanned schedule. At this point also paid contracts are withdrawn from the paid files and matched with their respective contracts at the time a compliance payment is being made.

OPERATION 4

Our Audit Unit is broken down into a number of sub-units, which allows auditing clerks to more or less specialize on particular commodities. We find that this method is extremely beneficial when the same sub-units day after day can be used in the auditing of the same commodity. They become familiar with that particular type of contract and compliance, and with the number of administrative rulings and changes in procedure which become necessary very often. Each sub-unit is made up of a sufficient number of Comptometer Operators to make all calculations and extend the amount of payment. Without any delay, the auditing clerks are then able to perform their function in accordance with the prepared procedure governing that particular type of contract. The number of contracts and compliances reviewed and audited by the entire Day and Night Forces during a normal working day will range from 35,000 to 50,000.

OPERATION 5

We have a rather interesting installation of tabulating machinery in our Machine Unit, numbering 160 machines in all, which represent ten different types, each playing its own part in the preparation of permanent record forms. It is one of the largest punch card operations in the world today. This unit is on a three shift basis and it has not been unusual to have many of the machines turned on on Monday morning and not turned off until the following Saturday, not unless of course something mechanically interrupts its operation in the meantime. We have some of the latest types of tabulating machines, including the alphabetic accounting machine, high speed reproducers, alphabetic key punch machines and mechanical multipliers. The punch card operators work directly from the contracts and punch for each interested party to the contract, a contract card which shows the State and County Code, Serial Number, the Name and Base information

necessary for calculating the payment. These cards are mechanically verified and by means of our mechanical multipliers, calculations are made and punched in the card. By this method we have a very accurate check, when an adding machine tape of the figures inserted on the contract by our Comptometer operators, checks to a listing of these cards that have been calculated mechanically. From these same cards we prepare a Notice of Acceptance to the Producer advising him officially of the acceptance of his contract. From this set of cards we duplicate a second set by means of high speed reproducing machines and this set known as the accounting cards is later forwarded to our Disbursing Officer with the approved payment schedules. From the contract cards we are able to prepare tabulations of certain statistics contained in them which is helpful to the Commodity sections in planning succeeding programs. In preparing the compliance payment we are then able to withdraw from our file these contract cards which were prepared from the original contracts and by reproducing a second set, calculate this second payment and prepare our payment schedules with very little manual work involved. Approximately 110,000 cards are prepared daily in this machine unit and to date some 35,000,000 have been prepared in all.

OPERATION 6

Operation 6 is another Audit Unit, responsible for checking and certifying for payment the payment schedules.

OPERATION 7

Operation 7 is also a part of this Audit Unit and has the responsibility of mailing to the producers a formal notice of acceptance of the contract and mailing to the field the copy of the "Register of Contracts" and payment schedules.

OPERATION 8 - Disbursing Office

The Agricultural Adjustment Administration was the first agency of the Federal Government permitted by the Comptroller General of the United States and the Treasury Department to use tabulating card checks and automatic check signers with facsimile signatures. This unit has been organized for 75,000 checks per day working on a three shift basis. The checks are written from this accounting card which was prepared in our Machine Unit. More than 16,000,000 checks have been issued aggregating over \$950,000,000. This unit is also equipped with the very latest type of tabulating machines and with this equipment very little manual work is necessary. It is interesting to note that it is possible to sort and tabulate 95 to 98 percent of the checks returned to the Treasury Department, due to the usually good condition in which the punch card checks are received when passed for payment.

OPERATION 9 - PAID FILES UNIT

A spacious file room is necessary in order to accommodate the files of paid contracts. Some 3500 steel cabinets are filled to capacity at the present time.

Legal Aspects

Requirements had to be set up in the Comptroller's Office governing the acceptance of signatures and authorizations on contracts and related papers. Differentiation had to be made between acceptance of signatures of individuals who signed contracts and related papers in their own right, and signatures and authorizations of individuals, firms, or corporations signing contracts and related papers as agent, executor, administrator, guardian, committee, receiver, liquidator, or trustee.

A procedure also had to be set up for handling powers of attorney, letters testamentary, letters of administration, wills, deeds, trust agreements, court orders, and similar documents.

BUREAU ACCOUNTING SERVICE

The Bureau Accounting Service of the Department of Agriculture expanded its organization considerably due to the advent of the Agricultural Adjustment Administration and the commodity programs. Their new duties principally consisted of handling the payrolls and expenditures of the Extension Service on the enlarged field work, and the payrolls of the Agricultural Adjustment Administration were also set up by them.

In the case of the field work of the Extension Service, certificates covering salaries of field workers are prepared by the county agents.

In some states these are checked in offices of the State Director of Extension, where copies are then prepared and sent in to the Bureau Accounting Service.

For the last fiscal year the number of these field employees averaged 34,000. The peak was reached in October 1934, when the total of payroll entries reached 96,811, including the field workers on the drought relief program. All of these employees are on a per diem basis. As far as possible, local people are employed on this work.

FIELD ORGANIZATIONS

To illustrate the manner of conducting the field operations in respect to the adjustment programs, a brief outline will now be presented for the cotton and the wheat programs.

I. FIELD ORGANIZATION USED IN THE 1934 AND 1935 COTTON ACREAGE REDUCTION PROGRAM

The 1934 and 1935 Cotton Acreage Adjustment Program operates under the general supervision of the Division of Cotton, which division depends upon the cooperation of the State Directors of Extension in the administration of its field activities.

The State Director of Extension, in each cotton producing state, appoints, subject to the approval of the Cotton Division, a state board of review, consisting of from three to five members. This board must review all contracts and offers submitted by producers and determine for each county whether the total production, acreage and yields reported by producers are in line with official figures for the county. In addition, the state board has jurisdiction to review decisions of the county committee and its finding is final and binding upon both the producer and county committee.

In each county, a Cotton Production Control Association has been organized solely for the purpose of cooperating with the Secretary of Agriculture in making effective the provisions of the Agricultural Adjustment Act in their application to cotton.

Each Association operates under the general supervision and direction of the Division of Cotton, and upon approval by, or on behalf of, the Secretary becomes the agency within the county for the administration of the Act in relation to the production of cotton.

It is a fundamental principle of the organization of the Association that the Secretary may, in his sole discretion, at any time when it shall appear to him that the conduct of the Association or its further existence is not furthering the purpose or intent of the Act, or that the Association is no longer necessary to effectuate the declared policy of the Act, withdraw his approval, whereupon the Association shall cease to exist. The Secretary, at his discretion, may order the organization of a new Association to take the place of any Association that has ceased to exist.

Any producer operating land within the county, and who has entered into a 1934 and 1935 Cotton Acreage Reduction Contract with the Secretary, becomes a member of the Association. There are no membership dues. When a member ceases to be a party to such a contract, he also ceases to be a member of the Association, and this fact, together with the determination of membership, is determined by the County Committee from the copies of contracts kept in the files of the Association. The decision of the County Committee as to cessation of membership is final and conclusive.

The County Agricultural Extension Agent is the representative of the Secretary of Agriculture in all matters affecting the Association. If an assistant in Cotton Adjustment is employed in the county, such assistant becomes an ex-officio member of the Association and secretary to the County Committee.

Each Association has one County Committee consisting of three members and one or more Community Committees of three members each. The County Agent designates the number of communities within the county upon the basis of the number of producer units within the county. Each community consists of at least 500 producer units.

In 1934 for the purpose of organizing the Association, the County Agent designated as charter members of the Association, producers who were eligible to participate in the program. Such charter members then

selected the members of the County Committee, who were insofar as possible Committeemen who served in the 1933 Cotton Acreage Reduction Campaign. The County Committee then appointed the members of the various Community Committees.

In 1935, the organization of the Associations having been completed, the members of the Community Committees were elected by the members of the Association in each community at a meeting called for that purpose by the County Agent. The members of the Community Committees in the county then elected the County Committeemen.

Only those members of the Association who derived the principal part of their incomes directly from farming were eligible to serve as County or Community Committeemen; and no member was eligible who was holding an elective or appointive county, state or federal office - who had been within the past year, or who had become a candidate for any such office; who had been previously requested by the Secretary, or his authorized agent, to resign as a committeeman; or who was not a resident of the county for which the committee acted.

The names of all committeemen elected were then reported by the County Agent through the State Director of Extension Service, to the Chief of the Cotton Section, for approval.

The County Committee reviews all contracts, offers, or other matters filed with them by producers and makes recommendations to the Secretary or his authorized agent concerning the advisability of entering into such contracts or accepting such offers or the disposition of such other matters. The Committee determines the data and inserts in each contract or offer the data and recommendation which are necessary for the acceptance or disposition of the contract or offer. In the performance of these duties the Committee may hold hearings and conduct such investigations as are necessary.

Each Community Committee assists in obtaining, preparing, checking and approving contracts, and, when requested by the County Committee, must ascertain and report the total production of cotton for the community and obtain any other data necessary or desirable for the proper functioning of the program.

It is the duty of every Committeeman having knowledge of a violation of any contract, or of erroneous information, data or statements contained in a contract or offer, to inform the County Committee. The County Committee must take cognizance of every such report, investigate and ascertain the facts concerning the case and report their findings, actions or recommendations in writing to the county agent, who in turn must submit the report to the State Board of Review.

II. FIELD ORGANIZATION FOR THE WHEAT ALLOTMENT PROGRAM

The Wheat Adjustment Program is operated under the general supervision of the Wheat Section of the Division of Grains of the Agricultural Adjustment Administration. In the administration of

all field activities, the Wheat Section depends in general upon the cooperation of the State Director of Extension and the Extension Service under his supervision, with details in the actual handling of the contract program done through the cooperation of county Wheat Production Control Associations composed of the wheat growers themselves.

In each county, there has been organized a county Wheat Production Control Association, the sole purpose of which is to afford wheat producers the opportunity of cooperating with the Secretary of Agriculture in making effective the provisions of the Agricultural Adjustment Act in their application to wheat. All the producers of wheat (whether owner, landlord or tenant) on land situated in the county, who have entered into a wheat allotment contract are members of the Association and take part in the program through the election of the members of their community committees and members of the board of directors of their county control association.

Upon approval by, or on behalf of, the Secretary the Association becomes the agency within the county for the Administration of the Act in relation to wheat.

There are no dues attached to membership in the association. The expenses of the Association are met by funds raised from deductions provided for in the Wheat Allotment Contract and/or assessments of members not to exceed an amount sufficient to cover reasonable compensation to members for services rendered.

The power and authority of the Control Association is vested in the board of directors. This board is composed of one community representative elected by the wheat producers of each community in the county. The members of the board of directors are also chairmen of the respective community committees, to which two other members are elected at a meeting called for that purpose.

The board of directors thus chosen formally complete the organization of the Association by adopting the Articles of Association and electing its officers. The officers of the Association are elected by the board, and from its membership. In addition the board also elects two of its members, who, with the President of the Association as chairman, are known as the County Allotment Committee.

Once organized, the Association acts as an independent and self-sufficient organization, subject, of course, to supervision by the Wheat Section. The Secretary of the Association keeps all records and files of the organization and the treasurer has custody of all funds and the disbursements thereof.

The Community Committees assist in preparing, checking and approving all applications and contracts in their respective communities and must ascertain and report the total production of wheat for the community, including the production of those who are not cooperating in the program. In this work they are assisted by field supervisors, appointed by the Wheat Section from a list of names submitted by the County Allotment Committee, who visit and examine each farm, and, when necessary, measure fields,

determine the utilization of contracted acreage and ascertain the use of fertilizer on the farm.

The County Allotment Committee must consider all applications for wheat allotment contracts filed in the county and make recommendations to the Secretary of Agriculture concerning the advisability of entering into such contracts. Before making such recommendations, it must determine, for each applicant, and insert in his application, the base period, the average annual acreage and production, the farm allotment and the division of adjustment payments between landlords and share tenants, and adjust complaints regarding the correctness of such findings.

The members of the Community Committees, the members of the County Allotment Committee, the Secretary of the Association and the field supervisors may be allowed subsistence and expenses, and if the board of directors so decides and the Wheat Section approves, additional compensation for their services. These expenses may be met by assessments upon the members of the community group or the association or by deductions from the wheat adjustment payments.

COTTON PRICE ADJUSTMENT PROGRAM

A new segment of the Comptroller's Office, the Cotton Price Adjustment Section, now being organized, gives a good illustration of the scope of the work done in the field in connection with some of the special programs.

The Cotton Price Adjustment Program will operate until the end of the present cotton crop year (July 31, 1936), to assure to the producers of cotton an average return of 12¢ per pound for their 1935 crop. Producers who agree to participate in the Cotton Adjustment Program in 1936 will be eligible to receive payments.

The adjustment payments will be made upon the sale by cooperating producers, prior to August 1, 1936, of cotton produced by them in 1935, but not in excess of the allotment to the farm under the Bankhead Cotton Act. The payments to each producer will be the amount per pound by which the official average base price of cotton, base of 7/8" middling, on ten designated spot cotton markets is, on the day upon which the producer sells his cotton, below 12¢ per pound. The payments shall, however, in no case exceed 2¢ per pound. In case any producer has not sold the full amount of his allotment under the Bankhead Cotton Act prior to August 1, 1936, and has pledged cotton as security for the loan authorized by the Commodity Credit Corporation on August 30, 1935, he will receive, on the cotton then under loan which when added to any of his 1935 cotton crop sold prior to August 1, 1936, does not exceed his allotment, a payment equal to the difference between such average spot price of cotton on July 31, 1936, the maturity date of the loan, and 12¢ per pound, less the unpaid carrying charges on the cotton under loan on July 31, 1936.

It is anticipated that the total disbursements under the proposed plan will not exceed fifty million dollars. The total allotment for 1935 under the Bankhead Act, which is the maximum amount of eligible cotton upon which payments could be made is 10,983,000 bales.

With over a million cotton producers involved in this program, it will be readily seen what a large volume of auditing and accounting work will arise in connection with this program. In addition to the Washington Office, about 17 field offices will be set up to handle the applications for these payments, and it is estimated that about 900 employees will be needed for the work.

FIELD AUDIT SECTION

In connection with the various programs involving purchases of commodities, it has been found necessary to set up field offices to expedite the auditing of the vouchers and to permit prompt payment to the vendors.

Vouchers audited in the field number approximately 1,000,000 to date, with expenditures of about \$212,000,000 involved.

As a part of the work of the Field Audit Section on these purchase programs, it is essential to conduct cost audits of the books and records of those seeking reimbursement in some cases, and such audits have been made in the case of packers, butter and cheese manufacturers, and grain elevators.

FIELD INVESTIGATION SECTION

The auditing and accounting activities of the Field Investigation Section embody generally the responsibility for all auditing, systematizing and general accounting relating to the administration and enforcement of Marketing Agreements and Orders executed by the Secretary of Agriculture in connection with the programs of the Agricultural Adjustment Administration. This responsibility covers all funds provided in such documents, administered by Market Administrators, Control Committees or other agencies, except those in connection with government appropriations and trust funds.

The auditing and accounting duties of the Field Investigation Section also include the performance of special assignments involving the procurement of fiscal data necessary in litigation or in the administration and advancement of agricultural programs, and advisory services to departmental officials on various fiscal and accounting matters.

AUDITING

Auditing activities of the Field Investigation Section may be logically divided as follows:

(a) Audits of books and records of Market Administrators, Control Committees and other agencies administering Marketing Agreements and Orders.

(b) Audits of books and records of handlers, producers associations, processors and others subject to the terms of Marketing Agreements and Orders.

(c) Audits in connection with the liquidation of funds collected, or otherwise held in trust by Market Administrators, Control Committees or other agencies, - including the mathematical accounting attendant upon final distribution of such funds.

(d) Audits involving special examinations of the books and records of organizations, commercial or otherwise - which are not necessarily subject to the provisions of Marketing Agreements and Orders but which are instrumental in, or directly related to programs of the Agricultural Adjustment Administration - to ascertain operating costs, financial responsibility and condition, etc., or any other special information necessary in litigation or in the furtherance of Agricultural Programs.

SYSTEMATIZING

The systematizing functions of the Field Investigation Section embrace the following activities;

(a) Installation and revision of accounting systems and fiscal procedures for Market Administrators, Control Committees, and other agencies administering Marketing Agreements and Orders.

(b) Preparation of uniform accounting systems for agricultural industries, upon request therefor.

(c) Drafting of special accounting forms for the use of handlers, processors, and others in reporting to various administrative branches of the Agricultural Adjustment Administration; preparation of forms to be used by the administrative branches in the recordation of data thus reported.

(d) Supervision of purchases of accounting books and records and printing of forms necessary in conjunction with systematizing.

(e) Instruction of employees in the operation of systems and procedures.

It may here be said that when, in the course of an audit, the books and records of Market Administrators, Control Committees, or other agencies administering Marketing Agreements and Orders, are found to be in such condition that immediate changes and corrections in the fiscal and accounting procedure are necessary, such changes are effected in conjunction with the audit. The commodity sections are notified of existing deficiencies and a complete installation usually follows.

1. Authorizations and Requests for Performance of Audits

Audits of the books and records of Market Administrators, Control Committees and other agencies administering Marketing Agreements and Orders are performed at specified intervals in accordance with general requests of the various Commodity Sections; audits of the books and records of handlers, producers associations, processors and others, subject to the terms of Marketing Agreements and Orders, are predicated upon specific requests emanating from the various Commodity Sections or directly from Market Administrators, Control Committees and other agencies; audits in connection with the liquidation of funds held by Market Administrators,

Control Committees, or other agencies are performed in accordance with general requests emanating jointly or singly from the Commodity Sections and the Solicitor's Office; special examinations are predicated only upon special requests for specific information and may be predicated upon requests or instructions from Bureaus, Divisions, Sections or agencies of the Department of Agriculture.

2. Procedures Employed in Performance of Audits.

Auditing procedure for the periodical audits of Market Administrators, Control Committees, and the agencies administering Marketing Agreements and Orders must, of necessity, be subject to minor variations according to the peculiarities of various administrative documents and marketing policies. Revisions in procedure thus necessitated are effected by accountants handling the individual assignments. Consequently, men selected for these audits must be qualified to analyze and prescribe auditing procedure.

Procedures for liquidation audits, and in connection with special audit examinations are prescribed by the Washington Office. All procedures are prepared in accordance with approved auditing standards and in accordance with the needs of the various Commodity Sections.

3. Preparation of Audit Reports

The preparation of reports on auditing assignments constitutes the most important element of auditing work. Reports reflect the result of the audits, existing conditions and other information of utmost value; They afford a readily accessible source of information relative to operation of Marketing Agreements and Orders and other programs of the Agricultural Adjustment Administration. To emphasize the importance of report preparation and to indicate the detailed operations incident thereto, the report procedure is outlined as follows:

1. Reports are written by the Accountant performing the assignment on a basis of audit findings as reflected in the Accountant's working papers and personal observations. Reports are ordinarily written in collaboration with the Supervising Accountant under whose direction the audit was effected. After the report has been written it is submitted to the Supervising Accountant who performs the following operations:

1. Reviews report and makes such revision therein as he considers necessary.
2. Directs the verification of mathematical computation, documentary references, etc.
3. Makes notation of his approval on the report.
4. According to facilities available in his office, he either:
 - (a) routes report to stenographers for typing and binding, and forwards typed report to Washington or

(b) forwards report to Washington in rough draft.

Working papers are sometimes submitted with report if such action is considered necessary.

II. Reports, upon being received by the Washington Office, are handled as follows:

1. Reports are recorded and indexed in a report register, or
2. After recordation, the reports are submitted to members of the Staff for technical revision.
3. The review of reports by the Staff constitutes the most important phase of report preparation and embraces the following steps:
 - (a) Standardization of reports in connection with form of presentation, statement forms, and administrative policies.
 - (b) Technical review and revision based on most modern and approved accounting practices, particularly with respect to financial statements and schedules in support thereof.
 - (c) Editing of comments in the report to improve grammatical and rhetorical structure; to discuss facts according to comparative value and importance; to analyze the factual content in order to determine whether established administrative and fiscal policies had been followed; to incorporate such references to prior reports and such extraneous factual material as may be necessary to promote a more clarified understanding of the discussion.
 - (d) Preparation of correspondence to Supervising Accountants, Administrative Officers and other interested parties relative to technical activities, suggestions for improvement, information concerning administrative and fiscal policies, etc.
4. After the completion of the Staff review and revision, the reports are submitted in rough draft for final approval.
5. After approval has been obtained the report is transmitted to the Statistical Unit, where, after verification of all mathematical computations and references, the report is typed in final form.

With reference to the work of independent accounting practitioners in connection with the Agricultural Adjustment Administration activities, audits of Control Committees set up under Marketing Agreements have been made by them at various times. In one or two instances, auditors of the Agricultural Adjustment Administration have worked in conjunction with independent public accountants.

Numerous audits have been made by public accountants for Milk Market Administrators, these audits involving the verification of payments by distributors to the Milk Market Administrator's Equalization Pool.

As a matter of fact, while this work is also done by auditors of the Agricultural Adjustment Administration on the audits termed by us, "Sales Use Audits", or "Compliance Audits", we favor the employment of independent practitioners for this work. One reason is that the units of an industry should bear the cost of the program in their locality. Most important of all, however, we know that the work of the certified public accountant can always be depended upon and that the courts will recognize him as an expert in case of litigation.

I thank you for your kind attention.